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Dear George:

We have reviewed the proposed draft of Contract A103 which Dan left with us on his recent visit and have the following comments to make:

Dan suggested that we might like a contract with a less detailed statement of the procedures, requirements, and relationships between contractor personnel and the Government; and he indicated you would be perfectly willing to draft such an agreement. We do have a preference for a less detailed statement. We would prefer to retain as much freedom as possible under the terms of the contract to administer our personnel assigned to this duty and would prefer that the contract set forth the Government's requirements of performance with as little detail as to methods of accomplishing them as possible. This draft serves to incorporate the provisions of the present employment agreement in the contract. We would prefer, instead, to have the contract state that we will reach a mutual agreement as to the terms of an employment agreement for field-technician personnel. We do not plan to ask our field-engineering personnel to execute an employment agreement, since we do not feel this is necessary to ensure performance of the requirements of their job. We would prefer to depend on the quality of personnel we expect to employ as field engineers. We believe the execution of such a detailed agreement is distasteful to many professional personnel.

We have recently established a company policy governing the overseas assignment of field service representatives, a copy of which accompanies this letter. This policy was developed after careful survey of the practices of other contractors engaged in similar work. While subject to approval only on a contract-by-contract basis, the policy was submitted to the resident Air Force Contracting Office for his comment, and he regards it as a reasonable policy statement. We propose to apply this policy uniformly throughout the company to overseas field support whenever possible. We believe the terms of this policy provide maximum flexibility for administration and control of our personnel assigned

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to this highly important activity. The bonus provision of  over base pay is a widely used bonus rate for overseas assignment. The per diem provision is likewise fairly standard. Although a number of contractors prefer arrangements providing for government quarters and subsistence, we prefer to retain this option for the employees whenever the character of the assignment permits. We, therefore, prefer a per diem method of compensation for quarters and subsistence which will permit the use of Government quarters and subsistence paid for locally if the employee so elects. Most military messes including the ones serving your activities are operated in a fashion which permits local payment.

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We have provided in the policy for travel fare reimbursement on a first class commercial basis; again, to retain the option as to method of travel for the corporation and its personnel whenever possible. Many of our professional people do not regard the standards of safety and operation for military air transportation as comparable to those of commercial airlines, and they are averse to traveling in military aircraft if any alternative is available. We think this is reasonable and that this option should be made available to the employee when the character of the operational assignment permits. Some recent studies have indicated that there is little difference in cost between military and commercial air transportation and that perhaps this cost pattern favors the use of commercial facilities when possible. We do not believe that compensation for first class transportation is an unreasonable cost requirement for this type of service.

Accordingly, we would like to establish our agreement for field support services with you on the basis of this company policy if possible. We do not believe the costs are appreciably different from those which would exist under the present plan and may well be less. We fully recognize that there are certain special conditions unique to your operation which puts some limitations on our freedom to control field service personnel, and we are willing to accept such modification where necessary.

We would propose to continue with the present employment agreement for technicians already in the field until expiration. For new technicians going into the field, we would propose to execute an agreement based on

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[ ] program government subsistence and quarters will probably not be available.

On this general basis we would suggest the following revisions to the draft:

Part I, Services to be Furnished. No statement of the amount of service to be furnished is set forth here. We believe the contract should contain as a part of the schedule the estimated requirements of the government for this type of service for the period covered by the contract. Unless the contractor is furnished this type of requirement information, it will be difficult to staff, train, and furnish the number and quality of personnel required. We recognize that such statement would not be an obligation to pay and that payment would be only for services rendered. We believe also that funding should be provided in the contract adequate to cover the requirements as stated.

Part I, paragraph c, Assignment of Personnel. We suggest that the requirement for "Agreement of Employment" should be limited to field technicians and that the agreement should not become part of the contract but that its form be mutually agreeable to the Government and the contractor.

Part I, paragraph d, Transportation. This paragraph should be modified to provide reimbursement for first class travel expense and general and administrative expense thereon as set forth in our cost estimate.

Part I, paragraph g, Privileges. Item 2. This paragraph should be eliminated or modified to provide that government subsistence will be made available to contractor personnel where available at the standard rates prevailing.

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Part I, paragraph h, Replacement of Personnel. We suggest that this be modified so that replacement will be provided only if required by the government since under certain circumstances of vacation or emergency leave, it may not be desirable to replace an employee for the period of his absence. (K)

Part II, paragraph b, Amount Allotted to the Contract. We believe this paragraph should be modified to provide that the funding established under the contract will equal the requirements made known to the contractor under Part I. It does not seem reasonable that requirements for services should be laid on without funding provisions being established in the contract to cover payment.

Part II, paragraph e, Vacation Leave. We suggest that the administration of the vacation program be under the contractor's direction, but that the Government shall reimburse the contractor for transportation from plant to the field site and return once every twelve months for each field-service employee. *at 9 mos?*

Part II, paragraph f, Sick Leave. We suggest that time off for short term illness in the field be administered locally and be granted on a reasonable basis. In the event of a prolonged illness, the employee should be replaced and returned to the U.S. where he is subject to the contractor's sick leave program and is no longer covered by this contract. OK

Part II, paragraph g, Local Leave. It would seem to us that local leave time should be granted by the local Government representative and the local leave program should be administered by the local contractor representative, but that the Government should not be obligated to pay for unused local leave if the time has been made available whether used or not. In the event that operating schedules do not permit making the time available, unused local leave should then be reimbursed at the standard man-day rate. OK

Part II, paragraph h, Emergency Leave. We believe that the Government should pay transportation of a field service man granted emergency leave, but we do not believe the Government should be required to pay the man-month rate for his services while on emergency leave. Some provision for this contingency should be made in the overhead rate. OK

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We are agreeable to the other terms and conditions proposed in the draft of the contract furnished us. It is our understanding that Dan is planning to draft a more general contract format and will incorporate such provisions of this proposal as you may think suitable so that we may reach agreement on a definitive contract in the near future.

As discussed with Dan, we are agreeable to a fixed man-month labor rate for each type of personnel assigned for field support. We have developed such man-month rates and have reviewed the bases for our figures with your local audit personnel. The cost breakdown for these man-month rates are shown in Exhibit A attached. The basis of the overhead and general and administrative rates is explained in Exhibit B. We believe such fixed rates should be the basis for compensation for a 6-month period, and that we should negotiate new rates each six (6) months taking into consideration actual cost experience. Both Dan and the auditors indicated they believe this is a reasonable and workable procedure which permits regular adjustment of rates in a fashion which would be equitable to both parties.

25X1A We have shown a man-month rate for MTS personnel since they will be travelling overseas in support of System 4 and possibly in support  program for short-time periods. These men are not field service personnel but rather members of our regular technical staff and will only be provided for the minimum time periods required. You may wish to reimburse us for their expenses under Contract A101 rather than under this proposed agreement.

Sincerely,



Enclosures:

Copies 1-3 of 5 of the  
following CMCC Doc. Nos.  
1132X5.102  
1132X5.103A

Personnel Policy 34.09  
Dated January 1, 1957

cc: H. A. W. - AFO

Copy 4 of 5 of the above  
classified documents  
Personnel Policy 34.09

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